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SUBJECT: Mexico Economic Weekly - November 6

[1](#)1. (U) The Mexico Economic Weekly supplements reporting from Mission Mexico Consulates and the Embassy Mexico Economic Section to provide a sense of ongoing trends. Please contact Adam Shub (shubam@state.gov) or Sigrid Emrich (emrichs@state.gov) for questions or comments about this report.

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ECONOMY AND FINANCE

13. (U) CONGRESS APPROVES MOST 2010 REVENUE LEGISLATION: Legislators watered down the original GOM revenue and tax proposals (see reftel), eliminating some of the key elements of the original package, but maintaining an increase in value added taxes and income tax rates. Finance Minister Carstens said the package will help revive the economy. While President Calderon welcomed approval of the legislation, he emphasized that that declining oil production left the country with no fiscal leeway, and called for all political actors to work together to boost growth and employment. It is unclear whether what was approved will avoid a significant increase in the medium-term fiscal deficit, and a public debt downgrade from the main ratings agencies. With the economy expected to contract by about 7% during 2009 (its worst performance since the early 1930s), momentum for a downgrade may be unstoppable. (Mexico City)

TRADE AND INVESTMENT

14. (U) FOREIGN DIRECT INVESTMENT PLUNGES 66%: Nuevo Leon's Secretary for Economic Development Othon Ruiz Montemayor stated on November 3rd that he expects 2009 will end with the lowest amount of foreign direct investment in the state in many years. Ruiz estimates that the state of Nuevo Leon will finish the year with about US\$500 million in foreign investment, a 66% decrease from 2008. (Monterrey)

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15. (U) STATE SEEKS PRIVATE INVESTMENT TO DRIVE SCHOOL CONSTRUCTION: Nuevo Leon's Education Secretary Jose Antonio Gonzalez plans to use private capital to build 33 new schools and renovate or expand 50 others during the current school year. The projects are located in the state's 13 fastest-growing areas. Of the predicted construction cost of about US\$41 million dollars, Gonzalez expects that US\$30 million will come from investment by private contractors, although the exact financing mechanism has yet to be determined. (Monterrey)

16. (U) TIJUANA ATTRACTS NEW INVESTMENT IN THIRD QUARTER: Despite the continued gloomy global economic outlook, Tijuana continues to attract foreign investment. Sixteen new companies set up shop in the Tijuana area between July and September 2009. Half of the companies are American, one from Korea, one from New Zealand, and the rest from Europe. The companies are in traditional industries for Tijuana: manufacturing medical equipment, telecommunications, and electronics. However, FDI for 2009 is still lower than 2008. (Tijuana)

17. (U) CHIHUAHUA'S MINING SECTOR ATTRACTS CHINESE INVESTMENT: Mainland China's Jinchuan Group, a mining company, plans to invest USD 500 million in Chihuahua to produce copper, zinc, and silver, according to the Director of Mining for Chihuahua's Industrial Development Secretariat, Ignacio Vega Vaca. In 2008, Jinchuan Group purchased mining concession rights from Canada's Tyler Resources to extract resources from the Bahuerachi mining project in southwestern Chihuahua. Mining analysts purport the Bahuerachi mine includes Mexico's largest undeveloped copper and zinc deposits. The Jinchuan Group reportedly spent \$25 million dollars on exploration of the Bahuerachi project to determine the feasibility of mining production. Vega Vaca announced the Jinchuan Group expects to move forward with its investment plans by mid-2010. Chihuahua is Mexico's leading producer of zinc and the second largest producer of gold and silver. (Ciudad Juarez)

18. (U) HERMOSILLO FORD PLANT RECOVERED FROM AUTO CRISIS: The Ford Stamping and Assembly Plant in Hermosillo returned to

full capacity in recent months, supplying over 1,000 vehicles to the U.S. market daily. In January 2008, the plant closed for one month due to high inventories in the U.S. and laid off around 200 employees. The downturn was short-lived and plant managers have rehired employees at previous levels. On October 30, Consul General Breidenstine and staff from Hermosillo toured the Ford plant and spoke at length with management about operations. At the most efficient plant in its car class, 2,500 workers assemble the Ford Fusion, Mercury Milan, and Lincoln MKZ in three shifts around the clock. The three vehicles are mid-sized sedans made from the same platform, but vary in engine styles and accessories. The parts are incorporated from the 18 integrated suppliers co-located within the 35 acre manufacturing park. In 2008, Ford invested USD \$600 million to enable manufacturing of the Fusion hybrid vehicle that now constitutes five percent of sales. Ford expects to roll out significant changes to the Fusion in 2013 and plant managers anticipate assembly line investment again in 2011-2012. The Ford Fusion is experiencing record sales in the U.S., up 23 percent from 2008. The Hermosillo plant has been in operation since 1986. (Hermosillo)

TRANSPORTATION AND INFRASTRUCTURE

9. (U) UPDATED BORDER CONTINGENCY PLANS SIGNED BETWEEN SISTER CITIES: An updated Sister Cities Contingency Plan has been signed by nine border cities, the Mexican cities of Reynosa and Rio Bravo and the Texas cities of McAllen, Mission, Hidalgo, Edinburg, Pharr, Weslaco and Donna. This contingency plan provides a mechanism for cooperation, preparedness, and response to civil emergencies between sister cities. The update to the plan was funded via a 2007 EPA Border 2012 grant. Brownsville and Matamoros will seek to update their joint contingency plans in 2010. According to Cameron County sources, the jurisdictions hope to host a "mega" exercise in 2010 to include all the cities. (Matamoros)

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10. (U) AIRPORT OPERATOR CALLS FOR RELIEF ON TICKET PRICES: Salvador Alva Gomez, an independent director of the board of Grupo Aeroportuario del Centro Norte (OMA) and the former President of PepsiCo Latin America, blamed the reduction in passenger volume at OMA's airports on high ticket prices. OMA operates and manages thirteen airports in nine states in central and northern Mexico, including the Monterrey International Airport, where the organization is headquartered. During September, the number of total passengers using OMA's airports was 16.8% lower than September, 2008. Alva notes that high ticket prices have been a barrier to leisure travel and have discouraged first-time passengers from flying. He also pointed out that low-cost carrier Aviacsa's suspension of operations on July 6 and the dissolution two other airlines, Alma and Aladia, have reduced passenger levels at OMA's facilities. (Monterrey)

11. (U) INFRASTRUCTURE DEVELOPMENT TOPS NUEVO LEON'S BUDGET PROPOSAL: Nuevo Leon's new governor, Rodrigo Medina, announced on October 30 that in his first annual budget request he plans to seek over US\$520 million dollars for state transportation projects. Within the transportation request, US\$75 million dollars would go to the logistics and a multimodal transportation project known as Interpuerto, a US\$2.5 billion dollar facility to be located on 1,200 hectares near Monterrey. Medina admitted that his budget would increase the deficit, but argued that a focus on infrastructure projects will create jobs and provide long-term economic development opportunities for small and mid-sized businesses. (Monterrey)

SCIENCE TECHNOLOGY AND HEALTH

¶12. (U) SEASONAL FLU RETURNS TO MEXICO: A significant number of patients reporting flu-like symptoms in Mexico are now testing positive for the seasonal flu rather than H1N1 influenza, according to experts at Mexico's National Institute for Medical Science and Nutrition, while H1N1 cases may be showing signs of decline in the general population. Mexico does not yet have the H1N1 vaccine, but hopes to receive its first delivery from French vaccine maker Sanofi-Aventis by the end of 2009. Meanwhile, the Federal Commission for Protection from Sanitary Risks (COFEPRIS) has extended the dates of expiration on Tamiflu and Relenza, two common antiviral H1N1 treatments, from three years to five years, which will increase the supply of the medicines available to gravely ill patients. (Mexico City)

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